

DE 98-124

**NORTHERN UTILITIES, INC.**

**Competition in the Natural Gas Industry**

**Order Authorizing Recovery of Restructuring Expenses**

**O R D E R N O. 23,820**

**October 31, 2001**

**I. PROCEDURAL BACKGROUND**

The New Hampshire Public Utilities Commission (Commission), by Order No. 23,652 (May 15, 2001), in Docket DE 98-124, approved the *New Hampshire Gas Collaborative Final Report* (Report) which was signed by Northern Utilities, Inc., EnergyNorth Natural Gas, Inc. d/b/a KeySpan Energy Delivery New England (KeySpan), the Office of the Consumer Advocate, and Commission Staff (Staff). The Report addressed further unbundling of natural gas supply in New Hampshire.

Pertinent to the issue of restructuring expenses, the Report stated:

The LDCs have incurred, and will continue to incur, substantial costs related to developing expanded customer choice, including costs associated with the Collaborative, the customer survey and a future customer education campaign. Because these costs are extraordinary in nature and substantial in amount, the Signatories recommend that LDCs be authorized to defer and recover these costs through a surcharge to all customers eligible for transportation service. The Signatories recommend a recovery mechanism and procedure similar to that authorized for electric utilities that have recovered such expenses resulting from the retail competition pilot program. The LDCs would file these charges on an annual basis, subject to review and approval by the Commission. (Report at 14)

The pertinent portion of Order No. 23,652 reads:

Northern and ENGI are hereby authorized to defer and recover, subject to Commission audit and approval, the reasonable costs associated with restructuring through a surcharge, limited at this time to all commercial and industrial natural gas customers eligible for delivery-only service and that the Natural Gas Collaborative shall recommend a recovery mechanism and procedure under which proposed charges shall be filed on an annual basis, subject to review and approval by the Commission. (Order at 36)

On September 7, 2001, consistent with the Report and Commission Order No. 23,652, Northern submitted a summary of its incremental restructuring expenses broken down into major components, copies of invoices for costs which Northern seeks to recover, and the per therm surcharge that would result from recovery scenarios from one to three years. Northern's incremental restructuring expenses totaled \$98,056.

On October 25, 2001, Northern filed a revised summary of its incremental restructuring expenses to reflect adjustments previously discussed with Staff. The revised restructuring expenses totaled \$106,943.

On October 26, 2001, Staff filed with the Commission a detailed memorandum containing Staff's recommendation regarding Northern's restructuring expenses. Staff stated that it had reviewed both the September 7 and October 25, 2001 filings and supporting documentation and found the expenses, except for legal expenses, to be reasonable. Staff

recommended the legal expenses not be found reasonable since they contained extra charges Staff deemed not necessary or beneficial to the proceeding. Northern and Staff discussed the legal expenses and agreed to reduce the legal expenses by approximately \$6,000. This reduction was reflected in Northern's revised October 25, 2001 filing.

Staff also discovered Northern did not include in its September 7, 2001 filing costs for the RKM Research and Communications survey of residential and small business customer attitudes regarding the introduction of retail competition in the gas industry. Northern's portion of the cost of the survey totaled \$13,863. This adjustment was also included in the October 25, 2001 filing. Northern did not request recovery of carrying costs associated with the restructuring expenses.

Consistent with the Commission's approval of the Report, Staff recommended that the Commission approve a restructuring expense surcharge of \$0.0028 per therm for all firm Commercial and Industrial (C&I) customers, with the exception of special contract customers, through Northern's Local Distribution Adjustment Clause (LDAC) effective November 1, 2001. The \$0.0028 per therm surcharge is derived by dividing \$106,943 by 37,985,214, the C&I therm throughput.

This charge would be recovered over a one-year period and would entitle Northern to recover \$106,943 related to further C&I gas unbundling.

## **II. COMMISSION ANALYSIS**

In Order No. 23,652, the Commission expressed its concern over the level of restructuring expenses gas utilities might seek to recover:

We agree with the Joint Signatories that the expenses of market development are a reasonable expense of implementing further customer choice. We agree they should be recovered from those customers affected by this order. However, we are concerned about the level of expenses estimated by the LDCs for this effort, particularly in light of the Marketers' forecasts of the limited benefits that can be obtained under the market model adopted for the next phase of market liberalization. Accordingly, we will direct Northern and ENGI to develop a proposed market development surcharge mechanism for recovery of this category of costs, and caution the LDCs that we will carefully review the level and reasonableness of the costs presented for recovery. (Order 23,652 at 32)

Staff has completed a thorough and careful review of Northern's restructuring expenses and has made recommendations concerning the reasonableness of the expenses. Staff recommended disallowance of some expenses which Northern has already withdrawn from Commission consideration and Staff recommended approval of the remaining expenses. After reviewing Staff's recommendations, we will approve recovery of \$106,943 in restructuring expenses over the one-year recovery period recommended by Staff.



**Based upon the foregoing, it is hereby**

**ORDERED**, that Northern is **AUTHORIZED** to recover \$106,943 in restructuring expenses via a per therm surcharge through Northern's LDAC and that the surcharge is \$0.0028 per therm from firm C&I rate classes, with the exception of special contract customers, for a period of one year, effective with service rendered on or after November 1, 2001; and it is

**FURTHER ORDERED**, that Northern shall file with the Commission by January 1, 2003 a full accounting of the revenues collected by this surcharge; and it is

**FURTHER ORDERED**, that Northern shall file a properly annotated tariff with the Commission within 14 days of the date of this order in accordance with N.H. Admin. Rules, Puc 1603.

By order of the Public Utilities Commission of New Hampshire this thirty-first day of October, 2001.

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Thomas B. Getz  
Chairman

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Susan S. Geiger  
Commissioner

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Nancy Brockway  
Commissioner

Attested by:

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Claire D. DiCicco  
Assistant Secretary